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**UNITED STATES DISTRICT COURT
 FOR THE NORTHERN DISTRICT OF CALIFORNIA**

JINDE YANG and JOHN BALLARD,

Plaintiffs,

vs.

CHINA BILINGUAL TECHNOLOGY AND
 EDUCATION GROUP, INC., REN
 ZHIQING, PAN MINGXIAO, REN
 ZUDONG, JUN ZHANG, YING FENGMEI
 and DOES 1 through 30, inclusive,
 Defendants.

)
) VERIFIED COMPLAINT FOR
) VIOLATIONS OF SECURITIES
) EXCHANGE ACT RULE 10-B(5);
) DERIVATIVE LIABILITY OF OFFICERS
) AND DIRECTORS FOR BREACH OF
) DUTY OF CARE
)

) CIVIL ACTION NO. 15-1517
)

PARTIES AND JURISDICTION

1. Plaintiff John Ballard ("Ballard") is a natural person and a citizen of Colorado. Plaintiff Jinde Yang ("Yang") is a natural person and a citizen of California, residing in San Mateo County, California.

2. Ballard and Yang are shareholders of China Bilingual Technology and Education Group, Inc. ("China Bilingual"), holding, respectively, 72,300 and 52,000 shares of China Bilingual common stock. Ballard purchased his shares from December 13, 2010 to April 14, 2011 at an average price of \$2.95 per share (total investment approximately \$213,285). Yang purchased his shares from December 13, 2010 to January 4, 2011 at an average price of \$3.50 per share (total investment approximately \$182,000).

1 ownership of an array of Chinese companies engaged in the operation of schools and other
2 educational activities in the People's Republic of China ("PRC"). As part of this acquisition,
3 the owners of Kahibah Limited were issued 26,100,076 shares of the company, giving them
4 87% ownership and majority control of the public company, and their management (primarily
5 consisting of the individual Defendants) were elected as its officers and directors. This
6 transaction is commonly referred to as a "reverse merger."
7

8 7. According to reports filed with the SEC by Defendant China Bilingual,
9 Defendant Zhiqing received 20,500,000 shares and then transferred 100,000 shares to persons
10 unknown. Defendant Mingxiao received 1,490,000 shares but later was stated to own
11 1,499,001. and Defendant Zhudong received 1,470,001 shares. A total of 23,369,998 were
12 issued to the individual Defendants, leaving 2,730,078 shares being issued to persons unknown
13 and undisclosed.
14

15 8. According to the reports filed by Defendant China Bilingual with the SEC, it
16 enjoyed stellar growth. Revenues for the year ended December 31, 2009 were \$21,195,752 and
17 net income was \$10,122,751, or \$.39 per share; revenues in 2010 were \$24,367,395 with net
18 income of \$11,966,081 or \$.43 per share; in the year ended August 31, 2011¹, revenues were
19 \$25,419,516 and net income was \$13,432,754 or \$.45 per share; and in the last year reported,
20 ended August 31, 2012, revenues were reported as \$42,200,354 and net income of \$9,645,628
21 or \$.32 per share.
22

23 9. The Current Report on Form 8-K dated June 30, 2010 contained 6 pages of risk
24 factors, but not one risk factor stated that China Bilingual might cease filing reports with the
25 SEC and forfeit its corporate charter. The Transition Report on Form 10-K for the eight months
ended August 31, 2011 filed on November 29, 2011 contained 7 pages of risk factors, but not

¹ There was a change in fiscal year from December 31 to August 31.

1 one risk factor stated that China Bilingual might cease filing reports with the SEC and forfeit its
2 corporate charter. The Annual Report on Form 10-K for the year ended August 31, 2012 filed
3 on November 29, 2012 contained 7 pages of risk factors, but not one risk factor stated that
4 China Bilingual might cease filing reports with the SEC and forfeit its corporate charter.
5

6 10. The impact of the reports of growing revenues and profits on China Bilingual's
7 trading market was to drive the trading price up to \$4.25 per share. The Plaintiffs paid \$2.95
8 and \$3.50 per share on average. On April 15, 2013, China Bilingual notified the SEC that it
9 would no longer file financial reports. The last report filed was the quarterly report for the
10 quarter ended November 30, 2012, filed on January 14, 2013. That report shows that as of
11 November 30, 2012, the net book value of China Bilingual was \$55,777,443, including over \$9
12 million in cash, or \$1.85 per share. Since January 14, 2013, no further financial information has
13 been disseminated by China Bilingual so that the public may know the current value of the
14 company.
15

16 11. China Bilingual has also failed to file its list of officers with the Nevada
17 Secretary of State and the State of Nevada has revoked its corporate charter. Pursuant to
18 Nevada Revised Statutes 78.175(2), a corporation whose charter has been revoked has forfeited
19 its right to do business. Pursuant to NRS 78.180(4), if a corporation's charter remains revoked
20 for a period of 5 consecutive years, the charter "must not be reinstated." Therefore, at this time
21 China Bilingual is unable to do business and if the charter is not reinstated by March 31, 2017,
22 its charter will be permanently revoked and China Bilingual's stockholders will not receive any
23 benefit from their share ownership.
24

25 12. As a result of the revocation of its corporate charter and the lack of information
provided to the public, the trading market for China Bilingual has virtually evaporated, and
Plaintiffs have lost the entire value of their investment. In addition, China Bilingual is not able

1 to access the capital markets to obtain equity capital which would enable it to grow its business
2 and maximize stockholder value.

3 13. On February 4, 2015, the Plaintiffs informed Defendant China Bilingual, by a
4 letter sent Federal Express to the corporate headquarters in China, of their intent to file a
5 derivative action and to seek damages for violations of Rule 10b-5 and the for breach of their
6 duties as officers and directors. No response has been received.
7

8 14. The Plaintiffs further allege that this action is not a collusive one to confer
9 jurisdiction upon the court which it otherwise would not have. The Plaintiffs purchased their
10 shares before April 15, 2013 and have retained ownership thereof up to the time of filing this
11 Complaint.
12

13 15. This Complaint is verified.

14 16. Thus, the Plaintiffs have complied with FCRP 23.1.
15

16 **FIRST CAUSE OF ACTION**

17 **SECTION 10(b) and RULE 10b-5 of the SECURITIES EXCHANGE ACT of 1934 –** 18 **AGAINST DEFENDANT CHINA BILINGUAL AND AGAINST DEFENDANTS** 19 **ZHINQING, MINGXIAO, ZHUDONG, ZHANG AND FENGMEI AS CONTROL** 20 **PERSONS PURSUANT TO SECTION 20A OF THE EXCHANGE ACT.** 21

22 17. The above allegations are incorporated herein by this reference.

23 18. In their scheme to deprive Plaintiffs and other public shareholders of the value of
24 their shares, Defendant China Bilingual, and its control persons Defendants Zhiqing, Minxiao,
25 Zhudong, Zhang and Fengmei (“collectively, the “Individual Defendants”) concealed their
intention to cease filing reports with the SEC and to forfeit China Bilingual’s corporate charter,
and appropriate the assets of China Bilingual to themselves, and directly and indirectly, with
scienter, including with recklessness disregard, in connection with the purchase and sale of
securities, by use of the means or instrumentalities of interstate commerce, or of the mails, have

1 employed devices, schemes or artifices to defraud; have made untrue statements of a material
2 fact or omitted to state material facts necessary in order to make the statements made, in light
3 of the circumstances under which they were made, not misleading; or have engaged in acts,
4 practices or courses of business which have been and are operating as a fraud upon the
5 purchasers or sellers of such securities, including Plaintiffs and all others similarly situated.
6

7 19. Defendants knew that all of the assets of China Bilingual were in China, outside
8 the reach of the US courts, and that they could misappropriate these assets from the public
9 shareholders by ceasing to file reports with the SEC and by permitting the forfeiture of China
10 Bilingual's corporate charter. This risk was never disclosed in any risk factor in any filing
11 made by China Bilingual. Defendant Zhiqing signed the June 30, 2010 8-K. Defendants
12 Zhiqing, Fengmei, Zhang and Minxiao signed the 10-Ks as directors and/or executive officers.
13 Mr. Zhiqing signed a certification under Sarbanes-Oxley that the 10-Ks did not contain a
14 misstatement of a material fact nor the omission to state a material fact.
15

16 18. These omissions were made in relation to the purchase or sale of a security
17 interest because they were made to induce Plaintiffs, and others, to purchase shares of China
18 Zhiqing on the public market.
19

20 19. Plaintiffs reasonably relied on the lack of disclosure in the 10-Ks to the effect that
21 their shares would be rendered worthless when China Bilingual ceased to file reports and
22 forfeited its corporate charter, enabling the Individual Defendants to freely misappropriate
23 corporate assets. Plaintiffs were unable to discover such misrepresentation using due diligence
24 because they were concealed by Defendants.
25

20. Defendants knew that persons would not be willing to purchase shares of China
Bilingual on the public market if the Individual Defendants were going to misappropriate
corporate assets.

1 21. Plaintiffs are injured in the amount to be proven at trial, for no less than the
2 purchase price of their shares, aggregating \$395,295, or the current book value of their shares,
3 whichever is greater. Other public shareholders of China Bilingual have likewise lost their total
4 investment in the company.

5 22. By reason of the foregoing conduct, Defendants have violated Section 10(b) of
6 the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. As a direct and
7 proximate result of Defendants misconduct, Plaintiffs sustained and will continue to sustain
8 damages in excess of \$75,000.

9
10
11 **SECOND CAUSE OF ACTION**

12 **BREACH OF FIDUCIARY DUTY – AGAINST ALL INDIVIDUAL DEFENDANTS**

13 23. The above allegations are incorporated herein by this reference.

14 24. By reason of their positions as officers, directors, and/or fiduciaries of China
15 Bilingual and because of their ability to control the business and corporate affairs of China
16 Bilingual, Individual Defendants owed China Bilingual and its shareholders fiduciary
17 obligations of good faith, loyalty, and candor, and were and are required to use their utmost
18 ability to control and manage China Bilingual in a fair, just, honest, and equitable
19 manner. Defendants were and are required to act in furtherance of the best interests of China
20 Bilingual and its shareholders so as to benefit all shareholders equally and not in furtherance of
21 their personal interest or benefit. Each director and officer of the Company owes to China
22 Bilingual and its shareholders the fiduciary duty to exercise good faith and diligence in the
23 administration of the affairs of the Company and in the use and preservation of its property and
24 assets, and the highest obligations of fair dealing.
25

 25. The Individual Defendants, because of their positions of control and authority as
directors and/or officers of China Bilingual, were able to and did, directly and/or indirectly,

1 exercise control over the wrongful acts complained of herein, as well as the contents of the
2 various public statements and annual and quarterly reports issued by the Company. v Because
3 of their advisory, executive, managerial, and directorial positions with China Bilingual, each of
4 the Defendants had knowledge of material non-public information regarding the Company.
5

6 26. To discharge their duties, the officers and directors of China Bilingual were
7 required to exercise reasonable and prudent supervision over the management, policies,
8 practices and controls of the Company. By virtue of such duties, the officers and directors of
9 China Bilingual were required to, among other things: (a) Exercise good faith to ensure that
10 the affairs of the Company were conducted in an efficient, business-like manner so as to make
11 it possible to provide the highest quality performance of their business; (b) Exercise good faith
12 to ensure that the Company was operated in a diligent, honest and prudent manner and
13 complied with all applicable federal and state laws, rules, regulations and requirements, and all
14 contractual obligations, including acting only within the scope of its legal authority; (c)
15 Exercise good faith to ensure that the Company's financial statements were ere prepared in
16 accordance with Generally Accepted Accounting Principles ("GAAP"); and (d) When put on
17 notice of problems with the Company's business practice sand operations, exercise good faith in
18 taking appropriate action to correct the misconduct and prevent its recurrence.
19

20 27. Each Individual Defendant owes and owed to the Company the duty to exercise
21 candor, good faith, and loyalty in the management and administration of China Bilingual's
22 business and affairs, particularly with respect to issues so fundamental as filing its reports and
23 providing reports to shareholders and maintaining the corporate status of China Bilingual.
24

25 28. The Individual Defendants' conduct set forth herein was due to their intentional,
reckless, or negligent breach of the fiduciary duties they owed to the Company. Individual
Defendants intentionally, recklessly, or negligently breached or disregarded their fiduciary

1 duties to protect the rights and interests of China Bilingual.

2 29. In breach of their fiduciary duties owed to China Bilingual, Individual
3 Defendants willfully participated in and caused the Company to fail to file financial reports and
4 provide other information to stockholders, and to fail to maintain China Bilingual's corporate
5 status, enabling insiders, including the Individual Defendants, to misappropriate corporate
6 assets to themselves, and failed to properly oversee China Bilingual's business, rendering them
7 personally liable to the Company for breaching their fiduciary duties.
8

9 30. As a direct and proximate result of defendants' breaches of their fiduciary
10 obligations, China Bilingual has sustained and continues to sustain significant damages, well in
11 excess of \$75,000. As a result of the misconduct alleged herein, Individual Defendants are
12 liable to the Company.
13

14 **THIRD CAUSE OF ACTION**

15 **ABUSE OF CONTROL – AGAINST ALL INDIVIDUAL DEFENDANTS**

16 31. Plaintiffs incorporate by reference and reallege each and every allegation set forth
17 above, as though fully set forth herein.

18 32. Individual Defendants' misconduct alleged herein constituted an abuse of their
19 ability to control and influence China Bilingual, for which they are legally responsible.
20

21 33. As a direct and proximate result of defendants' abuse of control, China Bilingual
22 has sustained significant damages.

23 34. As a direct and proximate result of defendants' breaches of their fiduciary
24 obligations of candor, good faith, and loyalty, China Bilingual has sustained and continues to
25 sustain significant damages. As a result of the misconduct alleged herein, defendants are liable
to the Company.

35. By reason of the foregoing, China Bilingual has been damaged.

1 FOR THESE REASONS, Plaintiff demands judgment in their and the Company's favor against all
 2 Defendants as follows:

3 **PRAYER FOR RELIEF**

- 4 A. Damages according to proof for the First Cause of Action from China Bilingual and the
 5 Individual Defendants.
- 6 B. Declaring that Plaintiffs may maintain this action on behalf of China Bilingual and that
 7 Plaintiffs are adequate representatives of China Bilingual;
- 8 C. Declaring that the Individual Defendants have breached and/or aided and abetted the breach of
 9 their fiduciary duties to China Bilingual.
- 10 D. Determining and awarding to China Bilingual the damages sustained by it as a result of the
 11 violations set forth above from each of the defendants, jointly and severally, together with
 12 interest thereon;
- 13 E. Directing China Bilingual and the Individual Defendants to take all necessary actions to reform
 14 and improve its corporate governance and internal procedures to comply with applicable laws
 15 and to protect China Bilingual and its shareholders from a repeat of the damaging events
 16 described herein, including, but not limited to, reinstating the corporate charter, and
 17 commencing to file periodic reports pursuant to Section 13 of the Securities Exchange Act of
 18 1934;
- 19 F. Determining and awarding to China Bilingual exemplary damages in an amount necessary to
 20 punish Individual Defendants and to make an example of defendants to the community
 21 according to proof at trial;
- 22 G. Awarding China Bilingual restitution from defendants, and each of them;
- 23 H. Awarding Plaintiff the costs and disbursements of this action, including reasonable attorneys'
 24 and experts' fees, costs, and expenses; and
- 25 I. Granting such other and further equitable relief as this Court may deem just and proper.

1
2 DATED: April 2, 2015

3
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10 VERIFICATION PURSUANT TO 28 USC 1746

11 I verify under penalty of perjury under the laws of the United States of America that the
12 foregoing is true and correct. Executed on April 2, 2015.

13 John Ballard [Signature]

14 I verify under penalty of perjury under the laws of the United States of America that the
15 foregoing is true and correct. Executed on April 2, 2015.

16 Jinde Yang Jinde Yang